

## **Impact of Sales Promotion on Sales of The Automobile Industry of Pakistan**

### **(A Case Study of Leading Automobile Companies)**

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#### **Abstract**

This research study aimed to examine the objective which is the relationship between sales promotional expenses and sales performance in Automobile companies of Pakistan. The data collected from 3 different sources was analyzed using mean analysis to determine the impact of sales promotional expenses on sales performance. The research results showed that there happens to be a positive relationship between sales promotional expenses and sales performance. However, it should be noted that the study only considered sales promotional expenses as a factor affecting sales performance and did not take into account other factors such as marketing strategies, consumer behavior, and economic conditions. This study highlights the importance of considering sales promotional expenses in the overall marketing budget, but it is recommended that future studies take a more comprehensive approach in evaluating the impact of various factors on sales performance.

**Keywords:** Sales promotion, Sales, Automobile company, Advertising

#### **Introduction**

In Pakistan, the automobile industry has been growing rapidly in recent years, with an increasing number of local and international companies entering the market. With the increasing competition, it has become even more crucial for automobile companies to employ

effective marketing strategies to attract customers and increase sales. Sales promotion play a significant role in this regard, as they help companies reach a large target audience and encourage them to purchase their products. Any company's core objective is to increase sales and boost profitability. This goal is only accomplished using a variety of methods and strategies, both direct and indirect. One way among many of them is Marketing & Advertising. Two crucial methods that businesses use to reach out to potential clients and boost sales are Advertising and Sales Promotion. Advertising in marketing refers to the paid form of non-personal promotion that uses mass media to reach a large target audience. It can take the form of television commercials, print advertisements, online ads, and more as per Johnson, D. (2018). Sales promotion, on the other hand, is a short-term marketing strategy that involves offering incentives to users to encourage them to buy a product or service. This could be in the form of discounts, coupons, or other promotional offers. Both advertising and sales promotion are widely used by automobile companies to increase sales and create brand awareness.

The impact of sales promotion on the sales of automobile companies in Pakistan can be measured by examining the relationship between these marketing strategies and consumer behavior. According to Ahmed (2021), the impact of advertising and sales promotion strategies on the sales of automobile companies in Pakistan has been significant. The author conducted a comprehensive study on several automobile companies operating in the country and found that effective advertising and sales promotion campaigns have helped to increase their sales.

This article examines how sales promotion affect an automobile company's sales in Pakistan and how their use of sales promotional strategies is changing the landscape of the sector. Advertising and sales promotion are two key elements that have a significant impact on the sales of an automobile company. The purpose of this article is to examine the impact of sales promotion on the sales of automobile companies in Pakistan. Through a thorough analysis of

relevant literature and empirical data, this study aims to provide insights into the effectiveness of these marketing strategies in boosting the sales of automobile companies in the country. The outcome and result of this study can serve as a valuable resource for both researchers and practitioners in the field of marketing and advertising.

### **An overview of Automobile industry of Pakistan**

The automotive industry of Pakistan dates back since its inception. The history of the automobile industry in Pakistan began in 1949 with the establishment of the first automobile assembly plant by General Motor & Sales Co. This plant rapidly grew and attracted other leading auto-makers from the US, leading to the establishment of Ali Automobiles in 1955, Haroon Industries in 1956, and Kandawalla Industries in 1962.

The automotive industry in Pakistan faced challenges in its early stages due to the absence of organized components manufacturing facilities, lack of technical knowledge, and inadequate ancillary facilities for design and development. The nationalization of key industries in 1972 brought some rationalization to the role of existing automobile companies, but the objective appeared to be earning higher profits rather than a national approach. This resulted in a shift in consumer preferences towards updated and reliable products and the rise of Japanese automobiles. Finally, it was realized that integration of the public and private sectors was necessary for national objectives and healthy competition. The automotive industry in Pakistan has undergone significant changes since the 1990s. The business was heavily regulated prior to the 1990s, but deregulation in the early 1990s led to a major boom in the industry as nationalization was replaced by privatization. In 1991, Japan purchased the remaining 40% of Pak Suzuki, and the Indus Motors Company started producing Toyota Corollas in 1993. The Pakistan Automotive Manufacturers Association (PAMA) was established in 1994, and Honda Atlas began producing the Honda Civic. The Pakistan Automotive Parts (PAP) show was also

launched by the Engineering Development Board in 1995. The auto industry saw a decline in sales from 2007 to 2009 due to high loan rates and the yen's strengthening against the rupee. However, thanks to banks increasing car financing up to 70-80% and low interest rates combined with an increase in rural purchases, the industry saw a recovery in sales in 2010. Production reached a record high in 2016-17 with 2.5 million motorcycles produced. To attract new automakers, the Auto Policy 2016-21 was created in 2015 as Honda, Toyota, and Suzuki have historically dominated the auto industry. In conclusion, the automotive industry in Pakistan has experienced rapid growth and significant changes since the 1990s. However, as of 2022, the automobile industry in Pakistan was dominated by local manufacturers such as Pak Suzuki, Honda, and Toyota, with Honda and Toyota being the largest sellers of vehicles in the country.

### **Research Methodology**

Pakistan's automobile industry is one of the most rapidly growing industries in the country, and companies are vying for a piece of the market share. To be successful in this competitive landscape, businesses need to have an effective marketing strategy in place.

Javalgi and White (2015) examined the role of global advertising and promotion in integrated marketing communications and their impact on consumer behavior. The findings of the research suggest that advertising and promotion play a crucial role in shaping consumer behavior and influencing purchasing decisions. Effective advertising and promotion campaigns can increase brand awareness, brand loyalty, and purchase intentions, and can be used to differentiate products and create a competitive advantage. In conclusion, the authors highlight the importance of considering the role of advertising and promotion in integrated marketing communications and the impact these activities can have on consumer behavior.

### **Problem Statement**

Sales promotion can be powerful tools that can help organizations increase their sales performance. Due to increased competition, Pakistan's automobile sector is experiencing challenges despite several marketing efforts. This study aims to find out how Advertisement & sales promotion affects industry sales ultimately.

### **Literature Review**

Kaur and Saini (2020) studied the impact of sales promotion on consumer buying behavior in the automobile industry. The findings of the research suggest that sales promotions can have a significant impact on consumer buying behavior in the automobile industry. The authors found that sales promotions can increase consumer demand for automobiles and can be used to differentiate products and create a competitive advantage. However, they also found that the effectiveness of sales promotions can vary based on consumer demographic characteristics, consumer attitudes and preferences, and the perceived value of the product. Sánchez-Fernández and Iniesta-Bonillo (2018) also explored the impact of advertising (sales promotion) on consumers. The research focuses on understanding the ways in which marketing and sales promotion can influence consumer behavior and purchasing decisions in the automobile industry. The findings of the research suggest that sales promotion can have a significant impact on consumer behavior in the automobile industry. Effective marketing & sales promotion campaigns can increase consumer awareness, interest, and purchase intentions, and can be used to differentiate products and create a competitive advantage.

### **Hypothesis**

In order to validate this study, the hypothesis has been made, with the help of which comprehensive analysis of sales promotion strategies and their impact on sales of the automobile companies has been conducted.

H = Sales promotion have a significant impact on the sales of an automobile company

According to Ahmed (2021), the impact of advertising and sales promotion strategies on the sales of automobile companies in Pakistan has been significant. The author conducted a comprehensive study on several automobile companies operating in the country and found that effective advertising and sales promotion campaigns have helped to increase their sales.

### **Sampling & Research Instrument**

The research methodology for this article involves the use of a convenience sampling method through the administration of questionnaires. The convenience sampling method is a non-probability sampling technique that involves selecting participants based on convenience. The data collection was in questionnaires form. Total 100 Questionnaires were given to the Marketing & Sales department of the leading companies in Pakistan. The data was then analyzed through a statistical software SPSS to comprehend it and its insights of the impact of sales promotion on the sales of automobiles.

### **Sales Promotion and Sales of Automobile Companies**

Sales promotion as a "short-term marketing activity designed to boost demand for a product or service by offering a discount, coupon, bonus, or reward." According to Javalgi and White, sales promotion is an important component of integrated marketing communications and can play a significant role in influencing consumer behavior. They also note that sales promotion is often used in conjunction with other marketing activities, such as advertising, to drive consumer interest and increase demand for a product or service. According to Sánchez-Fernández and Iniesta-Bonillo (2018), sales promotion can take many forms, including discounts, rebates, coupons, and loyalty programs. They argue that sales promotion is an

important component of a firm's marketing strategy, as it can help increase consumer interest and drive sales.

Sales promotion, as per Chiang and Hsu (2016) is a type of marketing communication that provides additional value or incentives to customers to purchase a product or service." They argue that sales promotion is an important tool for firms to differentiate themselves from their competitors and increase consumer loyalty.

### Finding and Analysis

This section presents the results of this study on the impact of sales promotion on the sales of automobiles companies of Pakistan from primary and secondary data analysis.

### Perspective of Employees on Impact of Sales Promotion on Sales

A survey was conducted with Employees of Marketing and Sales Department from different leading companies of Pakistan i.e. Toyota Indus, Honda, Ghandhara Nissan Limited, Pak Suzuki, and Honda Atlas to gather data on this case, and analyze it to test the hypothesis.

#### Toyota-Indus

The Advertising and Sales promotional expenditure and Sales have been studied for Toyota Indus Company in figure 1.

The data has been gathered from the annual reports

and financial statements of Indus Motor

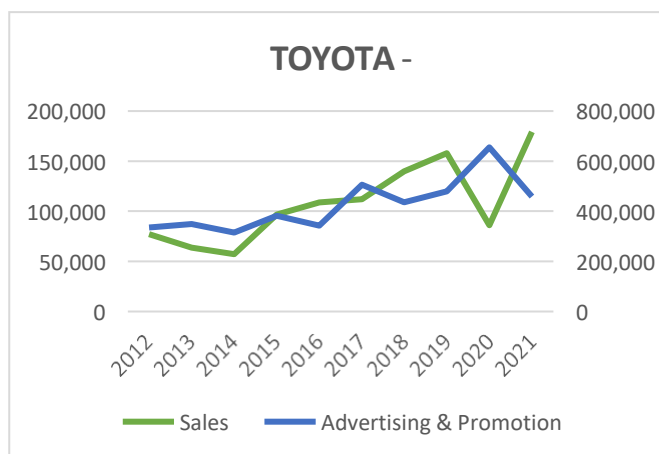


Figure 1

Company from the last 10 years. This line graph of Sale & Advertising & Sales Promotion expense illustrates that the trend of Toyota Indus Company is increasing over the last ten years.

The sales of Toyota Motors have generally increased over the years, with a few exceptions (e.g.

2020) where the world business has been all time low due to covid. The sales promotional expenses have been generally higher in the years where the sales have been higher and lower in the years where the sales have been lower. which predicts that it will further increase in the coming years because of the increasing demand of automobiles by customers. Whereas, on the other hand the advertising and sales promotion budget is also increasing over the years. This is illustrating that with the increase of Advertising & Sales promotion budget we can see an impact and raise in the sales of the Indus Motor Company. If we closely see this line chart, we can assume that the Indus Motor Company is spending huge amounts on Advertising & Sales promotion to increase Sales.

**Honda**

The figure analyzes the relationship between the sales & the sales promotional expenditure for the company Honda in the last 10 years from 2013 to 2022. The data in Figure 2 shows an overall increase in

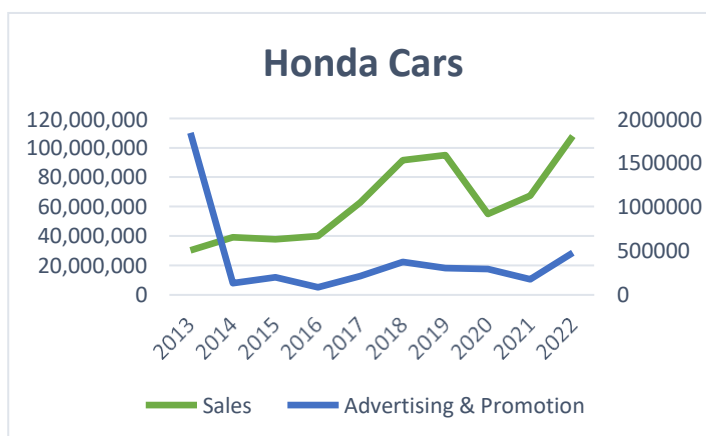


Figure 2

sales over time, with the highest sales in 2018 and 2019.

However, there was a significant decrease in sales in 2020 due COVID-19. The sales increased again in 2021 and reached an all-time high in 2022. The sales promotions also increased over the years, except for a decrease in 2016. The highest sales promotion was in 2022, which may indicate an increased focus on marketing and attracting customers. In conclusion, the data suggests that the company has experienced growth over the past decade, with some fluctuations due to external factors.



**Pak Suzuki Motors**

The figure 3 shows the Advertising and Sales promotional expenditure and Sales have been studied for Suzuki Motors. The figure shows the sales and advertising and sales promotion expenses of Pak Suzuki over a 10-year period from 2012 to 2021. In terms of sales, Pak Suzuki had its highest sales figures in 2021, with a total of Rs. 154,315,854. The lowest sales figures were recorded in 2014, with a total of Rs. 53,664,947.

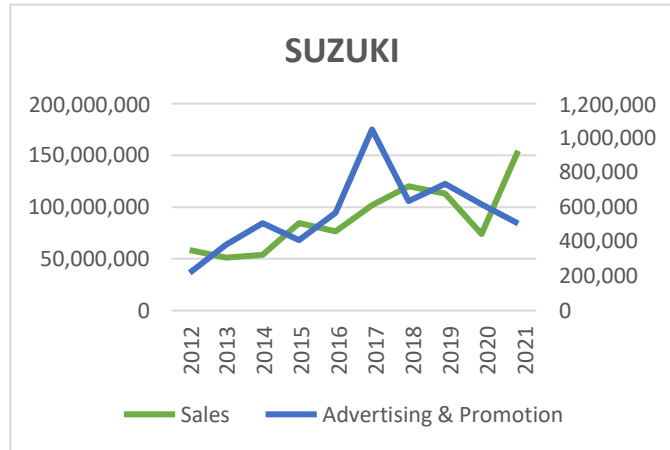


Figure 3

Over the 10-year period, there has been a general upward trend in sales figures. In terms of advertising and sales promotion expenses, Pak Suzuki's highest expenses were recorded in 2017, with a total of Rs. 1,049,997. The lowest expenses were recorded in 2013, with a total of Rs. 382,208. The trend in advertising and sales promotion expenses appears to be less consistent over the 10-year period compared to sales figures, with some years recording higher expenses than others. In general, there is an upward trend in both sales figures and advertising and sales promotion expenses over the 10-year period.

**Ghandhara Nissan Limited**

Advertising and Sales promotional expenditure and Sales have been studied for Ghandhara Nissan Limited. The data in the figure 4 has been taken from Financial & Annual reports of

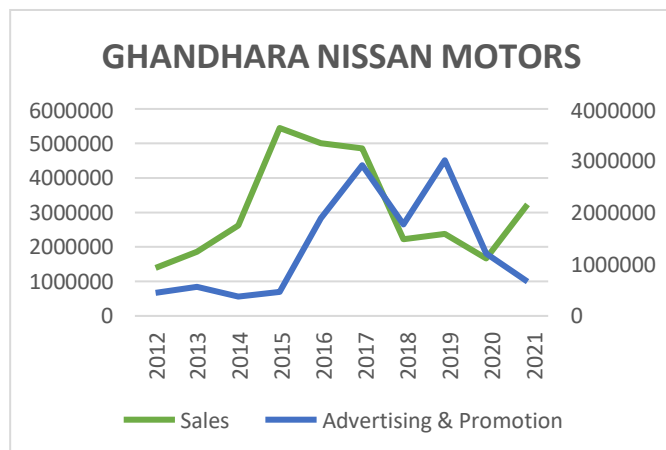


Figure 4

Gandhara Nissan Limited from 2012 to 2021, there is a general upward trend in both sales figures and advertising and sales promotion expenses over the 10-year period.

In terms of sales, Gandhara Nissan Limited had its lowest sales figures in 2013, with a total of 1,852,238 million, and its highest sales figures in 2017, with a total of 4,858,178 million. Over the 10-year period, there has been an overall increase in sales figures. In terms of advertising and sales promotion expenses, Gandhara Nissan Limited's lowest expenses were recorded in 2015, with a total of 463,000, and its highest expenses were recorded in 2019, with a total of 3,008,000. The trend in advertising and sales promotion expenses appears to be less consistent over the 10-year period compared to sales figures, with some years recording higher expenses than others. In conclusion, the data suggests that there is a correlation between advertising and sales promotion expenses and sales for Gandhara Nissan Limited, with both sales and expenses showing an overall upward trend over the 10-year period

***Honda Atlas***

The Advertising and Sales promotional expenditure and Sales have been studied for Honda Atlas Bikes. The figure 5 data has been taken from Financial & Annual reports of the company from 2012 to 2021.

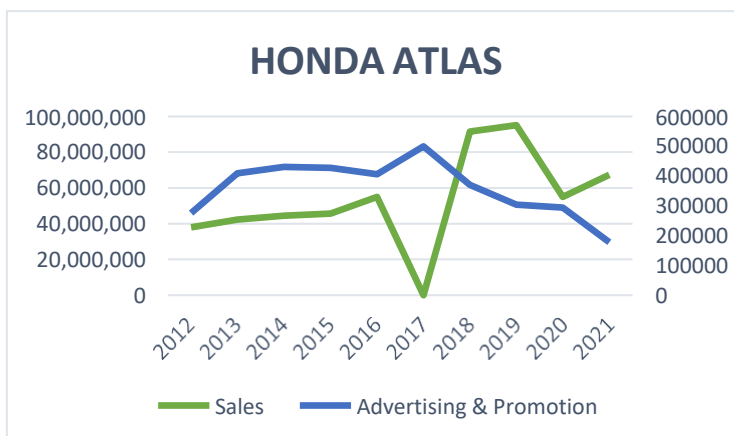


Figure 5

The data shows that the sales of the company have generally increased over time, with the highest sales in 2021. The sales promotional expenses also increased over time, with the highest expenses in 2021. However, there is no clear correlation between sales and sales promotional expenses. For example, in 2015 and 2016, the sales increased despite lower sales promotional

expenses. In other years, such as 2018 and 2019, the sales increased along with sales promotional expenses. In conclusion, the data suggests that the company has experienced growth in sales over the past decade, but the relationship between sales and sales promotional expenses is not clear. Other factors, such as the economy and competition, may have a greater impact on sales. To determine the impact of sales promotional expenses on sales, further analysis and data would be required.

### Analysis of the Opinion of Finance Employees

Another source by which data was collected was through a questionnaire that was distributed online via Google Forms

to the employees of the Marketing & Sales department of five leading Automobile companies in Pakistan like Honda, Toyota Indus, Ghandhara Nissan Motors, Honda Atlas, and Suzuki Motors. The data was collected through

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Advertisement is an important tool for our company?	100	.00	2.00	1.0700	.51747
It enhances potential customer reach?	100	.00	2.00	1.1900	.41911
Advertisement boosts sales?	100	-2.00	2.00	.6300	.84871
Positively impacts decision making power of potential users.	100	-2.00	2.00	.3700	1.06035
Creates awareness about the upcoming product / model.	100	.00	2.00	1.1000	.55958
Positively enhances product differentiation.	100	-1.00	2.00	1.0300	.64283
Results in higher profits?	100	-2.00	2.00	.6300	1.20315
Enhances brand recalling in customers mind.	100	.00	2.00	1.0400	.51089
Positively influences purchase intention.	100	-2.00	2.00	.3500	1.07661
Increases customer's reliability/trust on the product/model.	100	-2.00	2.00	.3200	1.05294
Valid N (listwise)	100				

Figure 6

convenience sampling and the questionnaires were distributed to employees through Google Forms. The questionnaire consisted of mainly two sections, section A consisted of demographic data while section B consisted of 10 close-ended questions that were aimed to identify the relationship between our two variables. All the questions were based on a Five-

point Likert scale (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree). The results of this survey in this figure 6 indicates mean of all the factors related to sale & sales promotion with a strong positive connection between the two variables i.e Sales Promotion & Sales, under investigation as the mean value of all the factors came out to be 0.767. As the factors like advertisement is an important tool, enhances potential customer reach, creates awareness, positively enhances product differentiation, enhances brand recall, have a mean value of 1.07, 1.19, 1.10 1.03, and 1.04 respectively. Which means that the majority of the respondents think that out of all the factors these factors have the highest impact on sales of the companies. Whereas the other factors have a low mean score which indicates that most of the people feel that these factors are only moderately impacting the profitability.

The average mean value, calculated from the responses of employees is 0.767, which provides the evidence of a consistently positive and a strong relation between the two variables. This result suggests that as one variable increases, the other variable also tends to increase.

### **Analysis of the opinion of Assistant Manager Sales Planning**

In order to understand the impact of Sales promotion on the sales of the Automobile sector in Pakistan, a list of interview questions were sent to the Assistant Manager Sales Planning of Toyota Company to develop a better understanding of the connection & relationship between the variables which are Sales & Sales promotion. The AM Sales Planning upon asking his thoughts & take on the statement that “Advertisement & Sales promotion positively impacts the sales of the company you are working in?” said:

*“Advertising and promotions do work for this particular industry but in Pakistan it's a bit different. In Pakistan, it's important for companies to spend on Marketing activities to create awareness and catch attention of consumers on different touch points but there are multiple*

*factors which overweight these as well, and are; 1. Resale value, 2. Word of mouth, 3.*

*Availability, and 4. Aftersales availability and price”*

He also, emphasized the importance of Advertisement & Sales promotion for the sales & profitability of the company. Sales promotions can be effective in increasing sales by creating a sense of urgency or excitement among potential customers. However, the success of sales promotions can also depend on the type of promotion used and the target market. Additionally, competition and the overall state of the economy can also have a significant impact on the sales of an automobile company. In conclusion, while sales promotions can be a useful tool for increasing sales, the impact will vary based on a number of factors specific to each company and market.

### **Conclusion**

In conclusion, the study aimed to examine the impact of sales promotion on the sales of automobile companies in Pakistan. Through the analysis of primary and secondary data, the results showed that sales promotion have a positive impact on the sales of automobile companies in Pakistan. The study analyzed five leading automobile companies including Toyota Indus, Honda (Cars), Ghandhara Nissan Limited, Pak Suzuki, and Honda Atlas, an interview with the AM Sales Planning and a questionnaire survey with the Marketing & Sales employees of the above-mentioned companies. The results from the primary source, i.e Questionnaire, showed that many employees think that effective sales promotion campaigns have a strong impact & help to increase the sales, thus the hypothesis has been accepted. But it is also notable from the data of these companies that sales promotion is not the only factors which are included in driving sales. The secondary data analysis showed an overall increase in sales over time, with some fluctuations due to external factors such as 2019 pandemic. The increase in sales promotional expense suggests that the companies have been successful in

promoting their products and attracting customers. The results of this research study provide significant insights into the effectiveness of sales promotion strategies in boosting the sales of automobile companies in Pakistan.

### **Limitations and Recommendations**

The study may have been limited by a small sample size, which could affect the generalizability of the results. Future studies should aim to have a larger sample size to increase the generalizability of the results.

The study design has certain limitations, such as convenience, limited people to get hands on. Thus it would be better to utilize more robust and validated measures and design to improve the quality of the data collected. Future studies could aim to have more control over extraneous variables by using more stringent study designs. One of the limitations of this study is that it only focuses on the effect of sale promotional expenses on sales, but in reality, sales are influenced by a multitude of factors. This limitation highlights the need for a more comprehensive study that takes into account all of the factors affecting sales.

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